

Attachment C



**HUMAN CAPITAL MANAGEMENT
IN
HEALTHCARE**

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Introduction

From coast to coast, shortages in the healthcare workforce are reaching crisis proportions. Nurses and other industry professionals are burning out, approaching retirement, or being lured into professions that offer more money and less stress. And the statistics don't help our optimism for the future. According to the U.S. Bureau of Labor Statistics, by 2020 the U.S. will need 1,754,000 nurses, but only 635,000 will be available based on current trends.¹ The outlook for meeting our growing need for pharmacists is almost as bleak: A report published at the end of 2000 by the U.S. Department of Health and Human Services reports that the number of unfilled full and part-time drug store pharmacist positions across the United States rose sharply from about 2,700 vacancies in February 1998 to nearly 7,000 by February 2000.² A November 2001 Government Accounting Office report found that, on average, hospitals report 21 percent of their pharmacist positions are currently unfilled. Vacancy rates are even higher in federal systems. And there are others: clinical lab staff, diagnostic imaging staff, critical care, ER – all are suffering shortages now, and like nursing and pharmacy, don't see signs of improvement in the next few years.

Behind the studies and dry statistics are real people who live with the consequences of these shortages every day. For a January 9, 2002 NPR Morning Edition program, reporter Scott Tong visited Mary Washington Hospital in Fredericksburg, Virginia. His interview with Nurse Manager Mona Kelley revealed just a few of the side effects of insufficient staffing. Tong notes, "Mona says that the shortage of nurses here forces her to do a lot of asking, 'Can you work overtime tonight? Can I borrow a nurse from the ICU? When can you start?'" Mona has a big scheduling book, and uses a yellow highlighter to track shifts where there are gaps in staffing: according to Tong, "there's yellow everywhere."⁴

Healthcare workforce issues are well researched, documented, and publicized. As the population ages, there will be more patients (demand) and fewer healthcare professionals available to care for them (supply). It is critical that healthcare leaders not only explore creative recruiting methods, but also that they look carefully at the current and future workforce: what can be done to encourage, mentor, and motivate valuable employees; how can those employees become advocates of their profession for future generations? The most effective leaders will find solutions that help their industry today and prepare them for future growth.

Health Professions Jobs Will Grow at Twice the Rate of All Occupations Between 1998-2008

	1998	2008	Percent Change
In Thousands			
Total U.S. Employment	140,514	160,795	14%
Total Health Occupations	9,252	11,804	28%
Physicians	577	699	21%
Dentists	160	165	3%
Pharmacists	185	199	8%
Registered Nurses	2,079	2,530	22%
Therapists	529	703	33%
Health Technicians and Technologists	2,414	3,025	25%
Health Service Occupations ^{1/}	3,055	4,163	36%

^{1/} Includes such occupations as nursing aides, home health care aides, dental assistants, medical assistants, pharmacy aides, et al.

Source: Dept. of Labor, Bureau of Labor Statistics, Occupational Employment Statistics

3

The Workforce Shortage: It's Not Just a Recruiting Problem

Certainly there is a great deal of effort that has been put into recruiting healthcare professionals. There are hundreds of specialized web sites and healthcare recruiting firms; relationships with junior colleges, universities, and even high schools; hospital intranets and detailed hard-copy postings in Human Resources departments. So why are these efforts losing ground? Perhaps at least part of the answer is revealed by looking beyond recruiting per se to the "bigger picture" challenges of finding the right talent to meet both short and long-term staffing needs across ALL industries.

In *The War For Talent*, published in 2001 by the Harvard Business School Press as the result of a groundbreaking study done by McKinsey & Company consultants, the authors conclude that "the war for leadership talent is about much more than frenzied recruiting tactics. It's about the timeless principles of attracting, developing, and retaining highly talented managers – applied in bold new ways."⁵ They suggest "a whole new approach to talent management," summarized in five "imperatives":

1. Embrace a talent mindset
2. Craft a winning employee value proposition
3. Rebuild your recruiting strategy
4. Weave development into your organization
5. Differentiate and affirm your people.⁷

While the authors are focused on management talent, their findings are highly applicable to all levels of the workforce, across all markets.

Consider the relevancy of their imperatives to healthcare:

Embrace a talent mindset. The recognition and acquisition of talent is everyone's responsibility, not just Human Resources. Healthcare HR executives must be equal to and fully integrated with top administrators for a talent mindset to be effective. In turn, this mindset must flow from the highest levels to the managers, doctors, nurses, and technicians in all departments. These employees, no matter what their specialty or level, are directly affected by the quality and quantity of talent.

Craft a winning employee value proposition. Understanding your workforce – what attracts, motivates, retains, and keeps them productive – is crucial. According to *Nursing in California: A Workforce Crisis*, the nurses surveyed felt that they had little opportunity to provide input into

Old Recruiting Strategies	New Recruiting Strategies
Grow all your own talent	Pump talent in at all levels
Recruit for vacant positions	Hunt for talent all the time
Go to a few traditional sources	Tap many diverse pools of talent
Advertise to job hunters	Find ways to reach passive candidates
Specify a compensation range and stay within it	Break the compensation rules to get the candidates you want
Recruiting is about screening	Recruiting is about selling as well as screening
Hire as needed with no overall plan	Develop a recruiting strategy for each type of talent

6

organizational decisions that impact their work.⁸ An important part of their value proposition is not being met.

Rebuild your recruiting strategy. If traditional methods aren't providing all the talent that's needed, then it makes sense to look for "new faces from new places." For example, Silicon Valley has many talented, technologically trained people who are currently unemployed. Is there a way for healthcare employers to attract candidates with potentially relevant training and talents from this available pool?

Weave development into your organization. Just as the search for talent isn't only the purview of HR, employee development should not be relegated to the training department alone. In healthcare, formal training and certifications are critical: it is important to identify and actively develop those who have the desire and ability to cross-train, and reward those who do with further growth opportunities. Mentoring programs are crucial.

Differentiate and affirm your people. Very few people like to be "lumped" into the masses – we like to be recognized as individuals. Of course, this can be extremely difficult to do in a large organization – hospitals are a perfect example - particularly if there is no effective process or tool for understanding and communicating the skills, experience, and goals of each person. Recognizing and rewarding individuals creates an environment where professional pride and teamwork flourish.

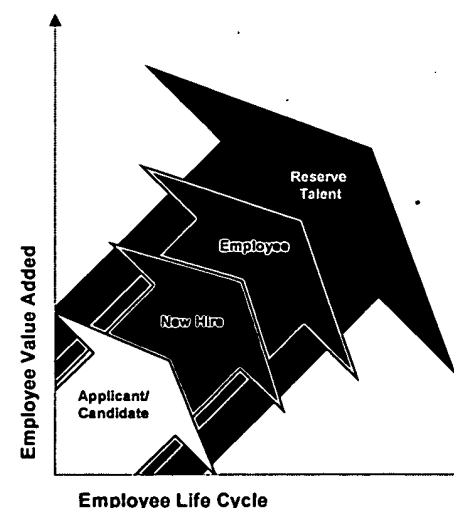
Human Capital Management in the Healthcare Industry

Human Capital Management (HCM) as an industry has emerged from the realization that the most valuable asset any company or organization has, is its people. Human Capital in simple terms is the sum of an individual's skills, knowledge, experience, and motivation; Human Capital Management assembles that accumulated value and applies it in a way that furthers the goals of a specific business.

While these definitions are reasonably clear, how they apply to "in the trenches" managers may not be as clear. What's more, finding and implementing appropriate HCM tools and techniques for specific industries such as healthcare takes significant focus and discipline. The result, however, may make the difference between hospitals that move profitably into the future and those that don't.

The Employee Life Cycle

All industries have at least this in common: there is an employee life cycle that starts the day someone applies for a job and ends when the employee's expertise is no longer valuable to the company. At the extremes, the life cycle may be very



short: for example, an applicant is rejected for whatever reason on first review; or it may be very long in the case of an employee who spends his entire career with a company. After retirement, this employee may even move to the Reserve Talent Pool for possible future contact as a consultant or part-time employee. Regardless of the length of the life cycle, the challenge if employers are to maximize their workforce productivity is to understand and have the ability to track employees through all stages, from Applicant/Candidate to New Hire to Employee to Reserve. Given this information, employers can manage their workforce as an inter-related entity rather than as independent, unconnected units – a solid basis for developing a Human Capital Management strategy and finding the best tools available to implement that strategy.

Employer Commitment → HCM Strategy → Technology Tools

Viewing their workforce in terms of the employee life cycle gives employers a framework for pinpointing specific areas of pain; it also sets the stage for a methodical approach to prioritizing the problems and addressing them, one by one. Effective change, as we've pointed out, takes a combination of Employer commitment, HCM strategy, and now, in the 21st century, technology tools. Truly useful tools have been slow to emerge. Analysts like Aberdeen and Meta Group have developed HCM practices to “zero in on” the characteristics that will make a difference – and make it possible to implement HCM strategy. Employee Self-Service, Employee Life Cycle Management, Candidate Tracking – all must “... free managers from repetitive tasks, allowing them to focus on strategic activities such as attracting, developing, and retaining people...”⁹

WorkForce-HCM:

Taking the Employee Point of View to Solve Employer Problems

WorkForce OS, a Human Capital Management technology company based in Burlingame, CA, has developed software that approaches many of the recurring workforce issues from a surprisingly unusual viewpoint - the employee. WorkForce-HCM was launched in July 2000 with the fundamental concept that human capital management can only occur if the employee is a direct and active participant in the process; and if the correct tools are available to support on-going, meaningful interaction between businesses and their employees. In the end, human capital management is about building and sustaining dynamic, productive relations with the right employees. WorkForce-HCM emphasizes the HUMAN.

Beyond its expanded personal skills profile, WorkForce OS has developed many of the 11 modules that comprise WorkForce-HCM in collaboration with the healthcare industry. In response to nursing requests for more flexible scheduling, one of the modules allows the employee to say exactly when they are available, if they are willing to work overtime, and if they can be called at the last moment to work. Since the software is employee self-service, individuals can access and modify their profiles at any time via the Internet at home or at work. Management can quickly and easily find staff that have the appropriate skills and are available to fill shifts. Broadening the

search for employees to include retired and former employees, part-timers, and students led to development of the Reserve Talent module. An Applicant Tracker responds to the challenge of tracking candidates from the time they apply, through the maze of reviews, to the point of being hired or rejected. Applicants who move on to the next stage of the life cycle – New Hire – have their status changed by the designated Administrator. All profiled information carries over to the new status, and appropriate departments and managers are notified. The employee now has a tool that will allow them to tell employers about their goals – an ER nurse who is burned out and considering quitting can now let other departments know she is willing to transfer. An X-ray technician can let his supervisor know when certifications and training have been completed. An employee of Housekeeping who has just received his LPN can notify HR that he's now qualified for promotion.

Conclusion

After the commitment has been made, after the strategy has been set, WorkForce-HCM is the vehicle – the tool that facilitates the desired results. It's there for managers who are constantly under pressure to show results, and it's there for employees who want to feel happy and satisfied in their career choice. WorkForce-HCM completes the loop by connecting with the imperatives identified in *The War for Talent*:

- ♦ Embrace a talent mindset

Using WorkForce-HCM, employees have an easy-to-use tool to communicate their skills and goals to managers, and managers have an easy method to retrieve that information. Creating a team environment where everyone has input – and therefore ownership - distributes the responsibility for recruiting and retaining the best talent across all levels.

- ♦ Craft a winning employee value proposition

What do your employees value? For example, nurses want a say in hospital policies that directly affect them: they want flexible scheduling, the opportunity to cross over to other departments, they want to avoid the stress of last minute and required overtime. WorkForce-HCM is a tool to facilitate what your employees value.

- ♦ Rebuild your recruiting strategy

WorkForce-HCM helps employers broaden their reach. Follow your retiring employees, parents and students who want to work part time, and former employees with critical skills using the Reserve Talent Pool. AppTracker, the paperless online recruiting module, interfaces with other modules to automate the recruiting process and save HR time.

- ♦ Weave development into your organization

Using drop down menus and free-form fields, the Skills Profiling module allows employees to talk about what they've done; and what they want to do. Managers can search on key words to determine the best candidates for mentoring or fast tracking into critical need areas.

- ♦ Differentiate and affirm your people

All employees – no matter what their level – want to be treated as individuals. The employer who makes the commitment to employee development, and follows edict with action, sets a precedent that employees will respect and follow. Organizations that treat their employees right attract the best candidates.

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